

2005 DRAFTING REQUEST

Bill

Received: **11/16/2004**

Received By: **rchampag**

Wanted: **As time permits**

Identical to LRB:

For: **Legislative Council - LRC**

By/Representing: **Nick Zavos**

This file may be shown to any legislator: **NO**

Drafter: **rchampag**

May Contact:

Addl. Drafters:

Subject: **Employ Pub - retirement**

Extra Copies:

Submit via email: **YES**

Requester's email: **don.dyke@legis.state.wi.us**

Carbon copy (CC:) to: **laura.rose@legis.state.wi.us**

Pre Topic:

No specific pre topic given

Topic:

WRS crediting of other governmental service

Instructions:

See Attached.

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?				_____			Retire
/P1	rchampag 11/18/2004	kfollett 11/22/2004 kfollett 12/01/2004	rschluet 12/01/2004	_____	sbasford 12/01/2004		Retire
/P2	rchampag 11/04/2005	kfollett 11/04/2005	pgreensl 11/04/2005	_____	sbasford 11/04/2005		Retire

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P3	rchampag 11/04/2005	kfollett 11/04/2005	pgreensl 11/04/2005	_____	lnorthro 11/04/2005		Retire
/1	rchampag 11/14/2005	jdye 11/14/2005	pgreensl 11/14/2005	_____	lemery 11/14/2005		Retire
/2	rchampag 11/16/2005	kfollett 11/16/2005	rschluet 11/16/2005	_____	mbarman 11/16/2005	mbarman 11/17/2005	

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1 1/4 jld

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nicholas.zavos@legis.state.wi.us

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/P2	rchampag 11/04/2005	kfollett 11/04/2005 <i>1P3/GF 11/4</i>	pgreensl 11/04/2005 <i>11/4 PG</i>	<i>11/4 PG</i>	sbasford 11/04/2005		

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/?							Retire
/P1	rchampag 11/18/2004	kfollett 11/22/2004 kfollett 12/01/2004 1P2 kf 11/4	rschluet 12/01/2004 11/4 p8		sbasford 12/01/2004 11/4 p81		

LRB-0876

12/01/2004 10:31:12 AM

Page 2

FE Sent For:

<END>

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Extra Copies:

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Requester's email: *laura.rose*
nicholas.zavos @legis.state.wi.us

Carbon copy (CC:) to: *rick.champagne* @legis.state.wi.us

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1?	rchampag	1/1/12	12	1	4		

FE Sent For:

END

~~coverage. Most employees are eligible for coverage after 6 months of WRS participation. The statutes should conform with this long-standing departmental policy, and the proposed language changes the six months to 30 days. No fiscal impact.~~

~~This revision also eliminates the under age 55 requirement for applying through evidence. The current statute may not be in compliance with the Age Discrimination in Employment Act (ADEA). The underwriting process should protect the plan from adverse risk at any age. No fiscal impact.~~

14. Other Governmental Service

Amend ss. 40.23 (3) and 40.285 (4) (d):

0876
s. 40.23 (3) The initial monthly amount of any retirement annuity in the normal form shall not be less than the money purchase annuity which can be provided by applying the sum of the participant's accumulated additional and required contributions plus an amount from the employer accumulation reserve equal to the participant's accumulated required contributions, less the amount of any lump sum payment under s. 40.285 (2) (b) and any interest thereon, to fund the annuity in accordance with the actuarial tables in effect on the annuity effective date.

s. 40.285 (4) (d) All amounts retained by the department for the purchase of creditable service under sub. (2) shall be credited and treated as employee required contributions for all purposes of the Wisconsin retirement system, ~~except that amounts received for the purchase of creditable service under sub. (2)(b) may not be used for the purpose of making calculations under s.~~ as provided in 40.23(3) or and 40.73(1)(am).

Section 40.73 (1) (am) of the statutes is renumbered 40.73 (1) (am) (intro.) and amended to read:

s. 40.73 (1) (am) (intro.) Upon the death of a participating employee, except as otherwise provided by par. (c), the sum of the ~~additional contribution and twice the employee required contribution accumulations credited~~ following accumulations, including any interest credited to the accumulations, that are credited to the participant's account on the beneficiary annuity effective date or, in the case of a lump sum payment, the first day of the month in which the death benefit is approved.:

Section s. 40.73 (1) (am) 1., 2. and 3. of the statutes is created to read:

s. 40.73 (1) (am) 1. Additional contributions.

s. 40.73 (1) (am) 2. Lump sum payments under s. 40.25 (7) (a) 5.

s. 40.73 (1) (am) 3. Twice the employee required contributions, less the amounts under subd. 2.

These provisions clarify payment of death benefits under the WRS to exclude employer match of benefits purchased by the participant for other governmental service. No fiscal impact.



D Note
State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-0876/P1

RAC: *[Signature]*

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

Gen

- 1 **AN ACT ...; relating to:** calculation of death benefits and the amount of a money
2 purchase annuity under the Wisconsin Retirement System (suggested as
3 remedial legislation by the Department of Employee Trust Funds) •
- X

Analysis by the Legislative Reference Bureau

For further information, see the NOTES provided by the Law Revision Committee of the Joint Legislative Council.

This bill will be referred to the Joint Survey Committee on Retirement Systems for a detailed analysis, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

LAW REVISION COMMITTEE PREFATORY NOTE: This bill is a remedial legislation proposal, requested by the department of employee trust funds and introduced by the Law Revision Committee under s. 13.83 (1)(c) 4., stats. After careful consideration of the various provisions of the bill, the Law Revision Committee has determined that this bill makes minor substantive changes in the statutes, and that these changes are desirable as a matter of public policy.

X

- 4 **SECTION 1.** 40.23 (3) of the statutes is amended to read:
5 40.23 (3) The initial monthly amount of any retirement annuity in the normal
6 form shall not be less than the money purchase annuity which can be provided by

1 applying the sum of the participant's accumulated additional and required
2 contributions plus an amount from the employer accumulation reserve equal to the
3 participant's accumulated required contributions, less the amount of any lump sum
4 payment under s. 40.285 (2) (b) and any interest on that payment, to fund the annuity
5 in accordance with the actuarial tables in effect on the annuity effective date.

History: 1981 c. 96, 386; 1983 a. 141, 267, 391; 1987 a. 309, 372; 1987 a. 403 s. 256; 1989 a. 13; 1989 a. 56 s. 259; 1991 a. 152; 1995 a. 225, 302, 414; 1997 a. 35, 69; 1999 a. 11; 2003 a. 33.

6 **SECTION 2.** 40.285 (4) (d) of the statutes is amended to read:

7 40.285 (4) (d) *Treatment of amounts to purchase creditable service.* All amounts
8 retained by the department for the purchase of creditable service under sub. (2) shall
9 be credited and treated as employee required contributions for all purposes of the
10 Wisconsin ~~retirement system~~ ^{Retirement System} except that amounts received for the purchase of
11 creditable service under sub. (2) (b) may not be used for the purpose of making
12 calculations under s. as provided in ss. 40.23 (3) or and 40.73 (1) (am).

History: 2003 a. 33 ss. 996 to 999, 1025; 2003 a. 320.

13 **SECTION 3.** 40.73 (1) (am) of the statutes is renumbered 40.73 (1) (am) (intro.)

14 and amended to read:

15 40.73 (1) (am) (intro.) Upon the death of a participating employee, except as
16 otherwise provided by par. (c), the sum of ~~the additional contribution and twice the~~
17 ~~employee required contribution accumulations credited~~ all of the following
18 accumulations, including any interest credited to the accumulations, that are
19 credited to the participant's account on the beneficiary annuity effective date or, in
20 the case of a lump sum payment, the first day of the month in which the death benefit
21 is approved ^{strike} ↓

History: 1981 c. 96; 1983 a. 141, 290; 1987 a. 309; 1989 a. 110, 166; 1995 a. 302, 414; 1997 a. 58; 1999 a. 11, 12.

22 **SECTION 4.** 40.73 (1) (am) 1. of the statutes is created to read:

23 40.73 (1) (am) 1. Additional contributions.

1 **SECTION 5.** 40.73 (1) (am) 2. of the statutes is created to read:

2 40.73 (1) (am) 2. Lump sum payments under s. 40.285 (2) (b)

3 **SECTION 6.** 40.73 (1) (am) 3. of the statutes is created to read:

4 40.73 (1) (am) 3. Twice the employee required contributions, less the amount
5 paid under subd. 2.

6 (END)

D-Note

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0876/P1dn

RAC: /c... *gl*

Date

Please review the language in s. 40.73 (1) (am) 2. and 3., because I am unsure what the combination of the two subdivisions is achieving. Calculated literally, the sum of "Lump sum payments under s. 40.285 (2) (b)" plus "Twice the employee required contributions, less the amount paid under subd. 2." equals "twice the employee required contributions". Since this is the case, why not simply get rid of the newly created s. 40.73 (1) (am) 2. and 3. and substitute it with a new subdivision that reads "Twice the employee required contributions."

Rick A. Champagne
Senior Legislative Attorney
Phone: (608) 266-9930
E-mail: rick.champagne@legis.state.wi.us

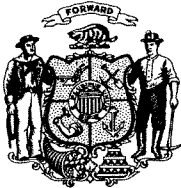
DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0876/P1dn
RAC:kjf:rs

December 1, 2004

Please review the language in s. 40.73 (1) (am) 2. and 3., because I am unsure what the combination of the two subdivisions is achieving. Calculated literally, the sum of "Lump sum payments under s. 40.285 (2) (b)" plus "Twice the employee required contributions, less the amount paid under subd. 2." equals "twice the employee required contributions." Since this is the case, why not simply get rid of the newly created s. 40.73 (1) (am) 2. and 3. and substitute it with a new subdivision that reads "Twice the employee required contributions."

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Senior Legislative Attorney
Phone: (608) 266-9930
E-mail: rick.champagne@legis.state.wi.us



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-0876/PT

RAC:kjf
stays

Today

P2

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

regen. cat

1 AN ACT *to renumber and amend* 40.73 (1) (am); *to amend* 40.23 (3) and 40.285
2 (4) (d); and *to create* 40.73 (1) (am) 1., 40.73 (1) (am) 2. and 40.73 (1) (am) 3.
3 of the statutes; **relating to:** calculation of death benefits and the amount of a
4 money purchase annuity under the Wisconsin Retirement System (suggested
5 as remedial legislation by the Department of Employee Trust Funds).

Insert
Analysis

Analysis by the Legislative Reference Bureau

For further information, see the NOTES provided by the Law Revision Committee of the Joint Legislative Council.

This bill will be referred to the Joint Survey Committee on Retirement Systems for a detailed analysis, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

LAW REVISION COMMITTEE PREFATORY NOTE: This bill is a remedial legislation proposal, requested by the Department of Employee Trust Funds and introduced by the Law Revision Committee under s. 13.83 (1) (c) 4., stats. After careful consideration of the various provisions of the bill, the Law Revision Committee has determined that this bill makes minor substantive changes in the statutes, and that these changes are desirable as a matter of public policy.

1 SECTION 1. 40.23 (3) of the statutes is amended to read:

2 40.23 (3) The initial monthly amount of any retirement annuity in the normal
3 form shall not be less than the money purchase annuity which can be provided by
4 applying the sum of the participant's accumulated additional and required
5 contributions plus an amount from the employer accumulation reserve equal to the
6 participant's accumulated required contributions, less the amount of any lump sum
7 payment under s. 40.285 (2) (b) and any interest on that payment, to fund the annuity
8 in accordance with the actuarial tables in effect on the annuity effective date.

9 SECTION 2. 40.285 (4) (d) of the statutes is amended to read:

10 40.285 (4) (d) *Treatment of amounts to purchase creditable service.* All amounts
11 retained by the department for the purchase of creditable service under sub. (2) shall
12 be credited and treated as employee required contributions for all purposes of the
13 Wisconsin retirement system Retirement System, except that amounts received for
14 the purchase of creditable service under sub. (2) (b) may not be used for the purpose
15 of making calculations under s. as provided in ss. 40.23 (3) or and 40.73 (1) (am).

16 SECTION 3. 40.73 (1) (am) of the statutes is renumbered 40.73 (1) (am) (intro.)
17 and amended to read:

18 40.73 (1) (am) (intro.) Upon the death of a participating employee, except as
19 otherwise provided by par. (c), the sum of ~~the additional contribution and twice the~~
20 ~~employee required contribution accumulations credited~~ all of the following
21 accumulations, including any interest credited to the accumulations, that are
22 credited to the participant's account on the beneficiary annuity effective date or, in
23 the case of a lump sum payment, the first day of the month in which the death benefit
24 is approved.;

25 SECTION 4. 40.73 (1) (am) 1. of the statutes is created to read:

7 (END)

**2005-2006 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0876/P2ins
RAVC:.....

Insert Analysis:

Current law, under the Wisconsin Retirement System (WRS), permits participants to purchase other governmental service for receiving creditable service under the WRS. This bill provides that, for purposes of receiving a WRS death benefit, the employer is not required to match any other governmental service purchased by a participant.

Insert 2-9:

SECTION 1. 40.23 (3) of the statutes is amended to read:

40.23 (3) The initial monthly amount of any retirement annuity in the normal form shall not be less than the money purchase annuity which can be provided by applying the sum of the participant's accumulated additional and required contributions, including interest credited to the accumulations, plus an amount from the employer accumulation reserve equal to the participant's accumulated required contributions, less any accumulated contributions to purchase other governmental service under s. 40.285 (2) (b) or 40.25 (7), 2001 Stats., to fund the annuity in accordance with the actuarial tables in effect on the annuity effective date.

History: 1981 c. 96, 386; 1983 a. 141, 267, 391; 1987 a. 309, 372; 1987 a. 403 s. 256; 1989 a. 13; 1989 a. 56 s. 259; 1991 a. 152; 1995 a. 225, 302, 414; 1997 a. 35, 69; 1999 a. 11; 2003 a. 33.

Insert 3-4:

SECTION 2. 40.73 (1) (am) 2. of the statutes is created to read:

40.73 (1) (am) 2. Accumulated contributions to purchase other governmental service under s. 40.285 (2) (b) or 40.25 (7), 2001 Stats.

Champagne, Rick

From: Weber, Rob
Sent: Friday, November 04, 2005 11:23 AM
To: Champagne, Rick
Subject: LRB-0876/P1 draft revision

Importance: High

CONFIDENTIAL & PRIVILEGED:

This email message and any attachments may contain information which is confidential, privileged, proprietary, or otherwise protected by law. This information is intended solely for the named addressee (or a person responsible for delivering it to the addressee). If you have received this message in error, please notify the sender immediately and delete it from your computer. Unauthorized disclosure, copying, printing, or distribution of this message is prohibited.

Thanks very much for working on our bill drafts. I was trying to avoid making life any harder for you by coming up with any new changes not already set out in my April 15 memo, but it was pointed out to me that the description of the death benefit Wis. Stats. § 40.73 (1) (am) as affected by LRB-0876 could be misinterpreted, and thereby result in a prohibited benefit increase.

Money received by the Public Employee Trust Fund for the purchase of credit for other governmental service (OGS) is required to be treated as employee required contributions, but is not allowed to be "matched" by money from employer contributions when calculating money purchase annuity benefits and death benefits for active employees. See Wis. Stats. § 40.285 (4) (d). One of the goals of LRB-0876 was to conform that prohibition with the descriptions of the money purchase and active employee death benefits, which involve doubling of employee required contributions.

It has been pointed out to me, however, that the treatment of 40.73 (1) (am) by this draft can be misinterpreted. The section, as revised by LRB-0876 and my April comments, would list the 3 components of the death benefit as:

- (1) (am) 1. Additional contributions
- (1) (am) 2. Accumulated contributions to purchase other governmental service under s. 40.285 (2) (b) or 40.25 (7), 2001 Stats.
- (1) (am) 3. Twice the employee required contributions, less the amount paid under subd. 2.

The last is the problem. If the total employee required contributions (which include money received to purchase other governmental service) are all first doubled, then the OGS amount is subtracted, as subd. 3 can be read, the benefit will still include two times the OGS money, because of the payment of the OGS amount under subd. 2. I'd like to clarify that the subtraction of the OGS accumulations occurs before the doubling.

Therefore, I ask that you please substitute the following at page 3, lines 4-6 of LRB-0876:

SECTION __. 40.73 (1) (am) 3. of the statutes is created to read:

40.73 (1) (am) 3. Twice the employee required contributions, after first subtracting the accumulations under subd. 2. including interest credited.

This will result in the death benefit doubling all employee required contributions except OGS purchase accumulations, plus one times the actual OGS purchase accumulations.

Thanks. Sorry for the trouble.

Robert Weber

Chief Counsel
Wisconsin Department of Employee Trust Funds
Tel: (608) 266-5804
Fax: (608) 267-0633



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-0876/P2

RAC:kjf:pg

Tidan

RMR

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-regen. cat.

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3 of the statutes; **relating to:** calculation of death benefits and the amount of a
4 money purchase annuity under the Wisconsin Retirement System (suggested
5 as remedial legislation by the Department of Employee Trust Funds).

Analysis by the Legislative Reference Bureau

Current law, under the Wisconsin Retirement System (WRS), permits participants to purchase other governmental service for receiving creditable service under the WRS. This bill provides that, for purposes of receiving a WRS death benefit, the employer is not required to match any other governmental service purchased by a participant.

For further information, see the NOTES provided by the Law Revision Committee of the Joint Legislative Council.

This bill will be referred to the Joint Survey Committee on Retirement Systems for a detailed analysis, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

LAW REVISION COMMITTEE PREFATORY NOTE: This bill is a remedial legislation proposal, requested by the Department of Employee Trust Funds and introduced by the

Law Revision Committee under s. 13.83 (1) (c) 4., stats. After careful consideration of the various provisions of the bill, the Law Revision Committee has determined that this bill makes minor substantive changes in the statutes, and that these changes are desirable as a matter of public policy.

1 **SECTION 1.** 40.23 (3) of the statutes is amended to read:

2 **40.23 (3)** The initial monthly amount of any retirement annuity in the normal
3 form shall not be less than the money purchase annuity which can be provided by
4 applying the sum of the participant's accumulated additional and required
5 contributions, including interest credited to the accumulations, plus an amount from
6 the employer accumulation reserve equal to the participant's accumulated required
7 contributions, less any accumulated contributions to purchase other governmental
8 service under s. 40.285 (2) (b) or 40.25 (7), 2001 stats., to fund the annuity in
9 accordance with the actuarial tables in effect on the annuity effective date.

10 **SECTION 2.** 40.285 (4) (d) of the statutes is amended to read:

11 **40.285 (4) (d)** *Treatment of amounts to purchase creditable service.* All amounts
12 retained by the department for the purchase of creditable service under sub. (2) shall
13 be credited and treated as employee required contributions for all purposes of the
14 Wisconsin retirement system Retirement System, except that amounts received for
15 ~~the purchase of creditable service under sub. (2) (b) may not be used for the purpose~~
16 ~~of making calculations under s. as provided in ss. 40.23 (3) or and 40.73 (1) (am).~~

17 **SECTION 3.** 40.73 (1) (am) of the statutes is renumbered 40.73 (1) (am) (intro.)
18 and amended to read:

19 **40.73 (1) (am) (intro.)** Upon the death of a participating employee, except as
20 otherwise provided by par. (c), the sum of ~~the additional contribution and twice the~~
21 ~~employee required contribution accumulations credited~~ all of the following
22 accumulations, including any interest credited to the accumulations, that are
23 credited to the participant's account on the beneficiary annuity effective date or, in

1 the case of a lump sum payment, the first day of the month in which the death benefit
2 is approved.

3 SECTION 4. 40.73 (1) (am) 1. of the statutes is created to read:

4 40.73 (1) (am) 1. Additional contributions.

5 SECTION 5. 40.73 (1) (am) 2. of the statutes is created to read:

6 40.73 (1) (am) 2. Accumulated contributions to purchase other governmental
7 service under s. 40.285 (2) (b) or 40.25 (7), 2001 stats.

8 SECTION 6. 40.73 (1) (am) 3. of the statutes is created to read:

9 40.73 (1) (am) 3. Twice the employee required contributions, ~~less the amount~~
10 ~~paid under subd. 2.~~

11 (END)

after first subtracting the
accumulations under subd. 2.0,
including interest on the
accumulations



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-0876/P8

RAC:kjf:pg

1
RMK

~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

2005 Bill

- regm. cat.

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1 the case of a lump sum payment, the first day of the month in which the death benefit
2 is approved:-

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7 service under s. 40.285 (2) (b) or 40.25 (7), 2001 stats.

8 **SECTION 6.** 40.73 (1) (am) 3. of the statutes is created to read:

9 40.73 (1) (am) 3. Twice the employee required contributions, after first
10 subtracting the accumulations under subd. 2., including interest on the
11 accumulations.

12 (END)

INSERT A

~~NOTE TO LRB-0876/P3 (INSERT A)~~

9 **NOTE:** According to the department of employee trust funds, the provisions of this bill reflect current practice and serve to clarify that for purposes of receiving a WRS death benefit, the employer is not required to match any other governmental service purchased by a participant. *

(end ins A)

2005 - 2006 LEGISLATURE

LRB-0876/1

RAC:kjf&jld:pg

stays RMR

SEAN

2005 BILL

504P2

regm. cat

- 1 AN ACT *to renumber and amend* 40.73 (1) (am); *to amend* 40.23 (3) and 40.285
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BILL

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BILL

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12 40.73 (1) (am) 3. Twice the employee required contributions, after first
13 subtracting the accumulations under subd. 2., including interest on the
14 accumulations.

15 (END)

Barman, Mike

From: Dyke, Don
Sent: Thursday, November 17, 2005 9:34 AM
To: LRB.Legal
Subject: Draft review: LRB 05-0876/2 Topic: WRS crediting of other governmental service

It has been requested by <Dyke, Don> that the following draft be jacketed for the SENATE:

Draft review: LRB 05-0876/2 Topic: WRS crediting of other governmental service